



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building ? P.O. Box 201711 ? Helena, MT 59620-1711 ? (406) 444-2986 ? FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

December 4, 2001

To: Legislative Finance Committee

From: Taryn Purdy

RE: Proposed Operation Plan Changes under 17-7-138, MCA

Sections 17-7-138 and 17-7-139, MCA, require that cumulative operating budget changes (in any budget category) and program transfers of \$25,000 and 25 percent or \$1,000,000 must be brought before the Legislative Finance Committee (LFC) prior to implementation (unless of a time sensitive nature). The Office of Budget and Program Planning has under review two operating plan changes that meet these criteria. The correspondence from OBPP explaining the changes is attached.

Staff raises no issue with either proposal. The proposal by the Department of Public Health and Human Services is to move funding from operating expenses to equipment for a legislatively approved remodeling of the centralized intake unit. Staff comments on the proposed operating plan change in the Montana State Lottery Program in the Department of Administration are attached.

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Legislative Fiscal Analyst
CLAYTON SCHENCK

December 5, 2001

To: Legislative Finance Committee

From: Greg DeWitt
Senior Fiscal Analyst

RE: Operating Budget Change –Montana Lottery

The Montana State Lottery (lottery) of the Department of Administration has requested an operating budget change that triggered a Legislative Finance Committee review pursuant to the requirements of 17-7-138, MCA. After a review, our office has identified no concerns with the budget change. The following summarizes our findings:

- ?? The request is to move \$422,400 from operating expenses to equipment
- ?? The legislature approved two decision packages that relate to this budget change:
 - o DP 24, On-Line Terminals, to purchase 75 on-line terminals of a lower technology and cost than is typically used by the lottery in their existing installations
 - o DP 10, Scratch Games Enhancement, approved funding to increase the number of scratch games offered
- ?? When the lottery attempted to purchase the 75 terminals of DP 24, the vendor offered to sell higher technology terminals that offer similar features as the existing installed terminals used by the lottery at the price of the lower technology units. This would provide a \$3,000 per unit cost savings to obtain terminals equivalent in function, but of current technology to what is now used by the lottery.
- ?? An analysis by the lottery determined that by purchasing an additional 90 higher-technology terminals at the reduced price would increase net sales by an estimated \$200 per terminal per week. After netting out costs, this would yield an increase of \$2,453 per terminal per year that could be transferred to the general fund or an annual amount of \$404,745.
- ?? HB 2 includes language directing the lottery to report to the 2003 legislature on the status and results related to the purchase and placement of additional on-line terminals funded with DP 24.

To: Clayton Schenck, Legislative Fiscal Analyst
Legislative Fiscal Division

From: Chuck Swysgood, Budget Director
Office of Budget and Program Planning

Date: December 4, 2001

Subject: **LFC Review & Comment on Operating Budget Changes**

In accordance with 17-7-138, MCA, the Governor's Office of Budget and Program Planning is submitting two budget change documents which will exceed \$25,000 and 25% of a budget category for review and comment at the December Legislative Finance Committee meeting. We thank you for the timely review of these transactions.

?? The Montana Lottery of the Department of Administration is proposing to move \$422,400 of authority from operating expenses to equipment to allow for the purchase of 90 additional lotto online terminals at a limited time offer bargain price. The Lottery plans to take \$419 thousand from instant ticket merchandise, which produces revenue from sales. The additional terminals also will produce revenue, but at a higher percentage of net operating costs than the instant tickets. There will be sufficient instant tickets remaining for the balance of the fiscal year. The change exceeds \$25,000 and 25% of the budget category. The BCD is 61010 617 OP151.

?? The Department of Public Health and Human Services is requesting to move \$72,000 from operating expenses to capital expenses to properly record the startup costs for the Centralized Intake Program. Costs included remodeling the office space, purchase of office furniture and purchase of a voice recording system for the telephones. The change exceeds \$25,000 and 25% of the budget category. [The BCD is 69010 860 OP061.]

We have reviewed these requests and find them to be in compliance with state and federal laws and policies. The transaction documents have been made available for you and your staff on our guest directory. Please let us know if you have questions or wish additional information.

C: Cathy Muri
Gerald LaChere
Scott Sim
Taryn Purdy

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